

BACKGROUND PAPER

THE “MONTEREY MODEL”

Goal: To “effectively support DOD missions, operations, and personnel at Monterey’s military installations by providing quality facilities, housing, infrastructure and base support services, at the lowest cost.”¹

The City of Monterey, California (City) has worked with the Department of Defense (DOD) and Departments of the Army (DA) and (DON) Navy in a Demonstration Project since 1994 to identify and implement new ways of providing support services to military installations the City hosts and leverage public property assets to the benefit of Federal and Local stakeholders. *The success of the City, DOD, Military Departments, and installations involved provide an excellent example of how the spirit of “Reinventing Government” can be applied to hosting Federal operations and result in both cost and quality of life improvements to all concerned.* This paper highlights project successes and benefits to these stakeholders, identifies obstacles to achieving project goals that could be eliminated by Federal Agencies, and provides background information on the Monterey circumstances.

- **Stakeholders Successes and Benefits.** Stakeholders include: the City, DOD, DA, DON, Defense Language Institute Foreign Language Center (DLI), the Army’s Presidio of Monterey (POM), and the Naval Post Graduate School (NPS). When aggregated, DOD agencies and military installations are referred to in the following as “Federal.” Successes and benefits of the City’s efforts are discussed within primary categories of Federal and City; however, many of the benefits ascribed to one or the other apply to both.
 - Federal Activities – Reduced Operations & Maintenance Costs; Leadership Focus.
 - *With a limited approach to having the City provide common, real property maintenance services previously funded from DOD resources, the Federal Activities currently save approximately \$1.7 million annually.* Examples of services currently contracted by the POM include maintenance of streets and buildings; water, wastewater, and storm-water systems; fire protection; slurry sealing; catch basin cleaning; etc. The savings are possible because the marginal costs associated with incrementally expanding existing City services are less than those required to maintain standalone capabilities for an installation. *Reduction of seven staff positions to one adds further savings.*
 - *The Federal Activities have directly benefited from the City’s investment of over \$900,000 of City funds for capital improvements to provide new amenities and/or higher levels of service.* These are discussed in the next section.
 - *Cost avoidance of another \$100,000 annually provides further benefit to Federal Activities.* Benefits result from partnerships between the City and Federal Activities that treat un-used or underutilized facility capacity as real estate assets rather than as liabilities. Examples are included in the second “bullet” of the next section (City).
 - *Partnering with the City permits installation leadership to focus on providing limited resources to core competencies.*

¹ Quotation and other information contained in the Background Paper has been provided by, or extracted from, City of Monterey papers and presentations with approval of the City.

○ City – Economies-of-Scale; Facilities; Installation Community-Integration.

- *Increased economies-of-scale in funding and operating needed municipal services that derive from additional workload benefit local government and the citizenry—permitting more effective and efficient use of the City's resources.*
- *Several facilities and services are now available as joint-use activities on military installations for the City and Federal populations that were threatened with closure or previously unavailable.* The City has invested its own funds to operate, improve and/or lease assets Federal Activities were unable to improve or continue to fund due to resource constraints. Examples include the continued operation of a Child Development Center, construction of new recreation fields on un-used property, maintenance of a nature preserve, and maintenance and operation of a historic park. These activities represent capital outlays for the City of approximately \$925,000 and commitment to annual operations and maintenance investments of over \$100,000.
- *The City and the installations it hosts have been more fully integrated into a holistic community that share facilities, opportunities, and vision for the future more effectively.* As a small community, the City depends heavily upon the participation of assigned DOD members and their families for support of City operations and recreational activities. The heightened sense of community that has resulted from closer operational ties between Federal Activities and the City has produced real, yet intangible, benefits in the quality of life of the Federal and civilian populations. *Such integration also directly supports the DOD vision of installation-community integration and the Administration's "Livable Community Initiative."*
- *Local academic institutions provide valuable, intangible support to the Federal Activities and their personnel.*²
 - DLI and the Monterey Institute of International Studies (MIIS) partner to support the needs of DLI faculty. Approximately 90 percent of the DLI faculty are native speakers who have immigrated to the United States and pursue foreign language teaching as a second career. The required formal training in teaching and English is provided by the MIIS Masters of Arts in Teaching Foreign Language program, one of several projects in which MIIS and DLI are partners.
 - The Monterey Peninsula College (MPC) sponsors an agreement that allows DLI to have a degree granting status, as required by the Accrediting Commission of Community and Junior Colleges of the Western Association of Schools and Colleges. The agreement permits DLI students to apply their academic accomplishments toward the requirements for a MPC Associate of Arts degree.
- **Obstacles and Assistance.** There are a number of obstacles to partnering effectively between Federal Activities and local government. These fall broadly into the categories of legislation, regulation, and policy. The following examples are obstacles to exporting the "Monterey Model" to other DOD and non-DOD community-installation sets. Recommendations concerning how Federal agencies can assist in removing each obstacle are made, as appropriate.

² Defense Language Institute Foreign Language Center.

○ Legislation.

- *Title 10 – U.S. Code, Section 2465 prohibits “public safety” services from being contracted with non-DOD entities.* The prohibition to contract for fire, police and emergency services eliminates one of the areas with greatest potential for savings to Federal Activities located in, or close to, communities. Communities are required to maintain similar services and the incremental costs of increasing them to serve a Federal activity will most always be lower than similar standalone services funded by the installation.
- *Title 40 – U.S. Code, Section 471 (The Federal Property and Administrative Services Disposal Act of 1949) places undue complexity on the ability of Federal Activities to dispose of or use surplus property.* Federal Activities, particularly DOD, have repeatedly stated they have surplus property and insufficient resources to maintain it. In many cases, communities could make excellent use of the property for economic development or quality of life initiatives, but this legislation prohibits direct transfer. The disposal of the property would benefit Federal Activities directly by reducing the operations and maintenance costs associated with the unneeded property and indirectly depending upon the community use. Eliminating this obstacle could provide a tool for Federal Activities to reduce unneeded infrastructure in small, but significant increments rather than be forced to use all-or-nothing base closure actions to enable disposal/community reuse.
- **Recommend the Administration take the initiative with Congress to revise the above statutes to provide more flexibility in contracting and obtaining/using surplus Federal property of all Federal Agencies where the local activity chief believes it is in the best interests of Federal and Local authorities.**

○ Regulation.

- *Federal Acquisition Regulations (FAR) and the contracting philosophy used in executing the procurement process inhibit innovative solutions.* The specificity and inflexibility of the FAR and Defense FAR (DFAR), along with contracting philosophy, can eliminate new solutions by emphasizing contract awards to a special category of, or lowest cost, vendor. The prohibition of a DOD entity contracting with a community is a direct example of how acquisition regulations serve as an obstacle to exporting the “Monterey Model.” **Recommend the Department of Defense take the initiative to revise the DFAR—and advocate revisions of the FAR, as needed—to provide more flexibility and encourage and support a broader contracting philosophy to allow expanded options in the acquisition of goods and services.**
- *The Office of Management and Budget Circular A-76 (A-76) process unfairly favors the existing workforce.* The study and competition requirements of the OMB Circular A-76 process delays opportunities to capture operating savings and unfairly favors the existing workforce by requiring the creation of an untested business model called the Most Efficient Organization (MEO). Private sector companies with proven business models and practices documented with past financial performance are then competed against the “theoretically capable” MEO. The requirement to evaluate theoretical financial performance in a familiar work environment against documented financial results in an unfamiliar work environment is unreasonable and an unnecessary obstacle to timely implementation of more effective and efficient operations. Additionally, the adoption of an MEO in an A-76 competition does not guarantee that the function will be competed further against its private sector

competition, while the private sector winner of an A-76 competition must continually adjust work force and performance to meet financial goals. **Recommend the Administration direct OMB to waive the A-76 process where local communities are prepared to provide needed support services to Federal Activities they host.**

- Policy.

- *Federal bureaucracies have significant power in creating and sustaining policy implementation that inhibits or fails to support new ideas and solutions.* In some cases, the motivation is "tradition" and familiarity with known processes and procedures. However, in others it is an attempt to protect the "status quo" against adverse effects on the professional cadre of the function faced with a new approach to conducting business. Leadership at all levels has to be particularly careful not to create a lead office or official who is more vested in the failure of a new initiative than in its success. Where this situation exists, the next level in the change of command can remove the obstacle by reassigning program responsibilities. **Recommend senior DOD and Service leadership guidance on the emphasis of creativity as an important tool in achieving the Department's "Revolution in Business Affairs" and "Reengineering" goals.**
- *Local commanders are not, as a rule, empowered to make needed decisions.* Local commanders have the responsibility to satisfy but not the authority to decide how installation support services will be obtained. Many of the reasons for this are outlined earlier. However, removing obstacles will not necessarily ensure the parent agency, Service or command will empower local commanders with a broad enough operational authority to permit local decisions. Much of the success in the "Monterey Model" can be attributed to the willingness of local commanders to make the extra effort to support imaginative approaches to partnering through their chains of command. This support would not have been necessary if they were vested with the power to make local decisions. **Recommend Service leadership delegate the authority to decide how installation support services are obtained to local commanders and aggressively work to remove prohibitions where they exist.**

- **Background.**

- The City.

- The City hosts three important military activities, the Defense Language Institute Foreign Language Center (DLI), the Army's Presidio of Monterey (POM), and the Naval Post Graduate School (NPS).
- All three are located within the City's municipal boundaries and each is a relatively small military installation.
- DA is the Executive Agent for DLI and controls the POM; the DON controls NPS.

- Leadership.

- The current City Manager is a retired Army Colonel and served as the Director of Engineering and Housing at the former Fort Ord, located in Monterey County.
- During his duty at Fort Ord, he recognized opportunities for installations to use more imaginative solutions to provide housing and services for their populations. Using existing authorities in innovative ways, he was able to obtain much-needed additional housing and support facilities for Fort Ord when its assigned population increased significantly following mission reorganization within the DA. Fort Ord was closed as part of the 1991 Defense Base Closure and Realignment Commission action.

- After departure from active service, he became the City Public Works Director and subsequently the City Manager for Monterey.
- The Model.
 - Existing Authorities. Using existing authorities in innovative ways, the City helps the three installations it hosts obtain services and facilities needed within the limited resources available.
 - Working with installation commanders the City has created significant “cost avoidances” for Federal Activities by making capital improvements using its own funds and annual operations and maintenance support for a number of joint-use community-support and recreational initiatives. These are described in the City portion of the “Stakeholder Successes and Benefits Section” earlier and represent approximately \$925,000 in capital outlays and the commitment for operations and maintenance investments of over \$100,000 annually.
 - As joint-use activities, this investment provides new amenities or enhanced services—that would not be possible through the use of Federal funds available—as direct, additional benefits to the Federal users.
 - Examples of the kinds of facilities include continued operation of a Child Development Center, construction of new recreation fields on un-used property, maintenance of a nature preserve, maintenance and operation of a historic park.
 - Demonstration Project. Recognizing that Federal Activities could not contract with the City to obtain services with the greatest potential for savings—fire, police and emergency services—the City Manager conceived and gained approval for a Congressionally authorized “Demonstration Project on purchase of fire, security, police, public works and utility services from local government agencies” (Project).
 - Authority.
 - The Project was authorized in Section 816 of the Fiscal Year 1995 National Defense Authorization Act. It allowed “The Secretary of Defense [to] conduct a demonstration project, beginning October 1, 1994, . . . under which any fire-fighting, security guard, police, public works, utility, or other municipal services needed for operation of any Department of Defense asset in Monterey County . . . [could] be purchased from government agencies located within the County of Monterey. The purchase of such services notwithstanding section 2465 of Title 10, United States Code.” Emphasis added to highlight the waiver of a major obstacle as discussed in the “Obstacles and Assistance: Legislation Section” earlier.
 - A Senate Colloquy sponsored by Senators Nunn (GA) and Boxer (CA) and approved in September 1995 clarified the intent of the legislative language to waive requirement for the OMB Curricular A-76 process where it would otherwise apply. This removed the second primary obstacle (discussed in the Obstacles and Assistance: Regulation Section” earlier) to obtaining Project services from the City.
 - The original authority to conduct the Demonstration Project through

December 31, 1996 has now been extended through Fiscal Year 2001.

- Execution.
 - The City formed a new Joint Powers Agency between affected communities to administer the effort; the City is the Lead Agent. Services contracted from the City include maintenance of streets and buildings; water, wastewater, and storm-water systems; street sweeping; slurry sealing; and catch basin cleaning. These activities save approximately \$1.7 million annually for the Federal Activities.
 - The services have been determined to be provided at a better quality and lower cost than was possible through Inter-Service Support Agreements; requires a smaller management overhead (seven becomes one); and emphasizes maintaining rather than merely repairing—all of which provides direct benefit to Federal users.
 - Additional opportunities for Federal savings associated with sports facilities; Morale, Welfare and Recreation (MWR) programs; grounds maintenance, custodial and food service support; a shared Institutional Telecommunications Network; and expanded roads and building services are being researched.
- Advantages.
 - High quality support provided Federal Activities at a lower cost to the taxpayer.
 - Professionals able to focus effort and resources on their areas of expertise. Federal Activities and the City can each focus on their core competencies.
 - Federal Activities focus on unique DOD missions.
 - The City focuses on municipal services and uses inherent flexibility/motivation to involve the private sector.
 - Introduces business-like approach to installation management.
 - Introduces competition into the system.
 - Enables economies-of-scale to benefit both Federal Activities and local agencies.
 - Makes more efficient and effective use of limited resources.
 - Expands capability of existing appropriations and enables valuable in-kind support.
 - Permits un-used or underutilized capacity or real estate to become assets rather than liabilities.
- The Potential Magnitude.
 - Within DOD. Using 1% savings achieved to date in Monterey and applying it to the value of the 1,500 ongoing OMB Circular A-76 Studies being conducted in all four Services in Fiscal Year 99/00, savings could exceed \$2.5 billion.
 - Across all Federal Activities. ???